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C O N F I D E N T I A L SANTO DOMINGO 000164

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WHITE HOUSE PASS TO USTR (MALITO)

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TAGS: [BEXP](#) [ELAB](#) [ENRG](#) [ETRD](#) [DR](#)
SUBJECT: DOMINICAN COMMERCE MINISTER DISMISSES USG
OBJECTIONS TO INTERVENTION IN FUEL TRANSPORT CONTRACTS

REF: SANTO DOMINGO 0128

Classified By: CLASSIFIED BY ECONOMIC OFFICER STEPHEN WHEELER FOR REASO
N(S) 1.5 (b)(d)

¶1. (SBU) On January 23 the Dominican commerce minister insisted to the Ambassador that he has full justification to alter the terms of contracts between petroleum companies and local fuel haulers. He dismissed any suggestion that his two recent resolutions contravened either the spirit or the letter of the CAFTA-DR regional trade agreement with the United States.

A Stiff Encounter

¶2. (SBU) Secretary of Industry and Commerce (SEIC) Francisco Javier Garcia Fernandez told the Ambassador on January 23 that Chevron's recent initiative to cancel several fuel haulage contracts is unlawful and threatens national security, which SEIC has a duty to uphold. "Based solely on Law 112-00, I can annul all contract cancellations." Garcia claims that the law prohibits companies from canceling contracts without seeking SEIC approval. He said that SEIC passed resolutions 148-06 and 23-07 "to go easy" on Chevron. He implied that impeding Chevron's actions using the resolutions was less severe treatment than sanctioning the company for violating the law. Garcia said that if USTR uses this issue to block entry into force for the Dominican Republic of the CAFTA-DR regional free trade agreement with the United States, "It will take us back to zero."

¶3. (SBU) Garcia received the Ambassador, DCM and econoff in the Secretariat's conference room, where he was accompanied by trade coordinator Vilma Arbaje, the current and previous directors of the Office of Hydrocarbons, and the Secretariat's legal advisor. He complained that when Chevron

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first approached him last year to explain the company's plans to restructure the local transportation aspect of its business, company representatives behaved arrogantly. He said they were unwilling to listen to his request to proceed with contract cancellations gradually, as had Shell and Exxon when they similarly modified their own business structures in recent years.

¶4. (C) The Ambassador indicated that the current rift threatens entry into force of CAFTA and asked what options exist for resolving the situation. Garcia responded that

Chevron could go to administrative court to appeal its case -
- "and lose in six years." Garcia contends that Chevron is
using CAFTA-DR to further its own business goals in violation
of Dominican law. He said that the rationale used by Chevron
to cancel transport contracts was safety, but Garcia argued
that some of the contract carriers Chevron plans to cancel
are "among the best and safest in the world." He said
Chevron's argument didn't make any sense, for the trucks
Chevron operates itself are "the oldest in the fleet."
Garcia stated that the entire conflict is about Chevron, not
about the other players in the market. The Ambassador
mentioned that Exxon, too, has requested a meeting with the
Embassy later this week to discuss the new resolutions.
Garcia did not comment.

15. (C) Garcia would not answer when the Ambassador asked
several times whether Chevron had a contractual right to
terminate its agreements with transporters. When the
Ambassador suggested that it looked as if Garcia was trying
to protect transportation companies, Garcia responded, "The
State is not trying to protect any service provider!" Even
so, as the meeting was breaking up he joked to the Ambassador
that Chevron had been unaware that one of the transportation
companies is owned by a relative of the the wife of the
President. He said that the petroleum business "controls a
lot of money in this country" and added that Chevron should
not try to use a plan "designed for use in Luanda" in the
Dominican Republic.

16. (SBU) Garcia finished by saying that if he were to revoke
the recently passed resolutions he would be dishonoring CAFTA
and violating the "institutionality" of the SEIC. The
Ambassador urged Garcia to work with Chevron, whose U.S.
representative is scheduled to meet with him tomorrow, to
arrive at a mutually acceptable solution to the problem and
to ensure that this issue does not impede CAFTA.

Chevron Preparing to Talk

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17. (SBU) Chevron's Florida-based Regional Manager Rafael
Williamson told DCM on January 24, as he was about to meet
Garcia, that Chevron is willing to be flexible with the
Dominican government but that it has an obligation to its
shareholders to operate efficiently. He said that Chevron
invested more than one year evaluating which transportation
providers met its requirements and that he had personally
shared his decision with Garcia last year prior to making any
cancellation. He pointed out that Chevron's criteria went
beyond efficiency, and noted that the largest transportation
company Chevron is canceling operates a quality fleet of
fourteen trucks. The problem, he said, was that the
company's financial statements did not hold up to scrutiny.
"We have an obligation to adhere to U.S. business standards,"
he explained. Williamson, who is accompanied by Chevron's
lead counsel and by the logistical chief for Latin America,
said that the company would be willing to stagger contract
cancellations and expressed his hope that Garcia would
equally flexible.
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